



Saskatchewan  
Finance

# Annual Report 2004

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## Public Employees Dental Fund

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Saskatchewan  
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Madam:

**Letter of Transmittal**

I have the honour to transmit herewith the fourteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

A handwritten signature in dark ink, appearing to read 'Harry Van Mulligen', with a long, sweeping horizontal stroke extending to the right.

Harry Van Mulligen  
Minister of Finance



Saskatchewan  
Public Employees  
Benefits Agency

The Honourable Harry Van Mulligen  
Minister of Finance  
Regina, Saskatchewan

Sir:

**Letter of Transmittal**

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fourteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2004.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith", with a stylized flourish at the end.

Brian Smith  
Executive Director

## **Public Employees Dental Fund**

### **Introduction**

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2004 there were approximately 26,241 insured employees.

### **Participating Employers**

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Cafeteria Board of Saskatchewan  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Crown Investments Corporation of Saskatchewan  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Information Services Corporation of Saskatchewan  
Leader of the Opposition (Office of the)  
Legislative Assembly Office (Employees of the)  
Legislative Counsel and Law Clerk (Office of the)  
Legislative Library (Employees of the)  
Liquor and Gaming Authority  
Meewasin Valley Authority  
Milk Control Board  
NDP Caucus Office  
Ombudsman (Office of the)  
Power Greenhouses Inc.  
Prairie Diagnostic Services  
Provincial Auditor (Office of the)  
Rentalsman (Office of the)

Sask Pork  
Saskatchewan Archives Board  
Saskatchewan Arts Board  
Saskatchewan Assessment Management Agency  
Saskatchewan Centre of the Arts  
Saskatchewan Communications Network Corporation  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Government Insurance  
Saskatchewan Health Information Network  
Saskatchewan Human Rights Commission  
Saskatchewan Institute of Applied Science and Technology  
Saskatchewan Municipal Board  
Saskatchewan Party Caucus  
Saskatchewan Power Corporation  
Saskatchewan Property Management Corporation  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Transportation Company  
SaskEnergy Incorporated  
SecurTek Monitoring Solutions Inc.  
St. Louis Alcoholism Rehabilitation Centre Inc.  
TransGas Limited  
Wakamow Valley Authority  
Wanuskewin Heritage Park Authority  
Wascana Centre Authority  
Western Development Museums  
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer  
Chief Electoral Officer  
Children's Advocate  
Conflict of Interest Commissioner  
Information and Privacy Commissioner  
Judges of the Provincial Court  
Legislative Assembly (Members of the)  
Legislative Counsel and Law Clerk  
Legislative Librarian  
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*  
Ombudsman  
Provincial Auditor  
Rentalsman  
Supervising justice of the peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

## Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

Canada Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

## Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective January 1, 1998, premium funding was paid at a straight rate of 1% of gross salary.

Effective April 1, 2003, premium funding was paid at a straight rate of .9% of gross salary.

## Benefits

The Plan provides three levels of coverage as follows:

|           |                            | <u>Reimbursement</u> |
|-----------|----------------------------|----------------------|
| Level I   | Preventive Services        | 100%                 |
| Level II  | Basic & Routine Services   | 75%                  |
| Level III | Major Restorative Services | 50%                  |

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

## Premiums/Claims Experience

|               | <u>Dec 31, 2004</u> | <u>Dec 31, 2003</u> |
|---------------|---------------------|---------------------|
| Premiums      | \$14,944,980        | \$15,062,217        |
| Claims        | \$16,648,906        | \$15,497,043        |
| # Claims Paid | 83,446              | 84,309              |

## MANAGEMENT'S REPORT

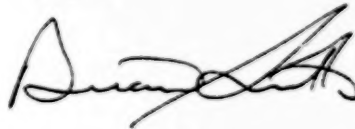
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

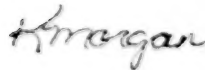
We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 2004 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Executive Director  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Morgan  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 21, 2005

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**PUBLIC EMPLOYEES DENTAL FUND**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2004**

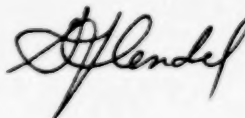
## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Dental Fund as at December 31, 2004 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan  
February 21, 2005

Fred Wendel, CMA, CA  
Provincial Auditor

**PUBLIC EMPLOYEES DENTAL FUND  
STATEMENT OF FINANCIAL POSITION**

**STATEMENT 1**

**AS AT DECEMBER 31**

|                                              | <u>2004</u>         | <u>2003</u>         |
|----------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                |                     |                     |
| Due from General Revenue Fund (Note 3 and 7) | \$ 9,682,461        | \$12,356,881        |
| Employer contributions receivable (Note 7)   | 427,115             | 233,535             |
| Investments (Note 4)                         | <u>248,207</u>      | <u>-</u>            |
| Total Assets                                 | <u>\$10,357,783</u> | <u>\$12,590,416</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>        |                     |                     |
| Liabilities:                                 |                     |                     |
| Accounts payable (Note 7)                    | \$ 192,016          | \$ 163,521          |
| Provision for unpaid claims (Note 8)         | <u>1,213,642</u>    | <u>1,093,446</u>    |
| Total Liabilities                            | <u>1,405,658</u>    | <u>1,256,967</u>    |
| NET ASSETS (STATEMENT 2)                     | <u>8,952,125</u>    | <u>11,333,449</u>   |
| TOTAL LIABILITIES AND NET ASSETS             | <u>\$10,357,783</u> | <u>\$12,590,416</u> |

(See accompanying notes to the financial statements)

**PUBLIC EMPLOYEES DENTAL FUND  
STATEMENT OF OPERATIONS AND NET ASSETS**

**STATEMENT 2**

**YEAR ENDED DECEMBER 31**

|                                       | <b>2004</b>                |                     | <b>2003</b>         |
|---------------------------------------|----------------------------|---------------------|---------------------|
|                                       | <b>Budget<br/>(Note 9)</b> | <b>Actual</b>       | <b>Actual</b>       |
| <b>REVENUE</b>                        |                            |                     |                     |
| Employer contributions                | \$15,650,000               | \$14,944,980        | \$15,062,217        |
| Interest (Note 3)                     | 335,000                    | 238,336             | 362,271             |
|                                       | <u>15,985,000</u>          | <u>15,183,316</u>   | <u>15,424,488</u>   |
| <b>EXPENSES</b>                       |                            |                     |                     |
| Claims incurred                       | 16,650,000                 | 16,648,906          | 15,497,043          |
| Adjudication fees                     | 769,425                    | 772,719             | 720,178             |
| Administration expenses (Note 5)      | 115,000                    | 143,015             | 114,956             |
|                                       | <u>17,534,425</u>          | <u>17,564,640</u>   | <u>16,332,177</u>   |
| Deficit for the year                  | (1,549,425)                | (2,381,324)         | (907,689)           |
| NET ASSETS, BEGINNING OF YEAR         | <u>11,333,449</u>          | <u>11,333,449</u>   | <u>12,241,138</u>   |
| NET ASSETS, END OF YEAR (STATEMENT 1) | <u>\$ 9,784,024</u>        | <u>\$ 8,952,125</u> | <u>\$11,333,449</u> |

(See accompanying notes to the financial statements)

**PUBLIC EMPLOYEES DENTAL FUND  
STATEMENT OF CASH FLOWS**

**STATEMENT 3**

**YEAR ENDED DECEMBER 31**

|                                                     | <b>2004</b>         | <b>2003</b>          |
|-----------------------------------------------------|---------------------|----------------------|
| Cash flows from (used in) operating activities:     |                     |                      |
| Employer contributions received                     | \$ 14,751,400       | \$ 15,137,903        |
| Interest received                                   | 182,768             | 362,271              |
| Claims paid                                         | (16,528,709)        | (15,656,083)         |
| Administration expenses paid                        | (127,169)           | (123,107)            |
| Adjudication fees paid                              | (760,071)           | (761,949)            |
|                                                     | <u>(2,481,781)</u>  | <u>(1,040,965)</u>   |
| Cash flows from (used in) investing activities:     |                     |                      |
| Purchase of investments                             | (11,642,639)        | -                    |
| Proceeds from disposal of investments               | 11,450,000          | -                    |
|                                                     | <u>(192,639)</u>    | <u>-</u>             |
| Net decrease in cash                                | (2,674,420)         | (1,040,965)          |
| DUE FROM GENERAL REVENUE FUND,<br>BEGINNING OF YEAR | <u>12,356,881</u>   | <u>13,397,846</u>    |
| DUE FROM GENERAL REVENUE FUND,<br>END OF YEAR       | <u>\$ 9,682,461</u> | <u>\$ 12,356,881</u> |

(See accompanying notes to the financial statements)

## **PUBLIC EMPLOYEES DENTAL FUND NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

### **1. Description of the Fund**

The Public Employees Dental Fund (Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by the *Public Service Act*, and certain Saskatchewan crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Core benefits are funded at a straight percentage of gross salary. The 2004 contribution rate for core benefits was 0.9%. The contribution rate for core benefits changed from 1% to 0.9% effective April 1, 2003.

Enhanced dental benefits are provided to employees of certain participating employers. Funding for enhanced benefits is determined by each respective participating employer.

The Public Employees Benefits Agency (PEBA) administers the Plan. Under an agreement with Canada Life Assurance Company, claims are adjudicated and processed for payment. Canada Life Assurance Company was acquired by Great-West Lifeco Inc. Effective January 1, 2005, Great-West Life Assurance Company began adjudicating and processing claims.

### **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

#### **a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

#### **b) Interest Revenue**

Interest is recognized as income when earned.

#### **c) Unpaid Claims**

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

d) **Accounts Payable**

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

e) **Cash and Cash Equivalents**

Cash consists of the Due from General Revenue Fund.

f) **Investments**

The Fund only invests in short-term investments. Short-term investments are recorded at cost.

**3. Due from General Revenue Fund**

The Public Employees Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2004 was 2.20% (2003 – 2.87%).

**4. Investments**

The investment is comprised of a bank note. The outstanding investment at the end of 2004 had an effective interest rate of 2.61% and a term to maturity of 31 days. Investments are purchased through the Treasury and Debt Management Branch of the Department of Finance and are subject to their investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R1" as rated by the Dominion Bond Rating Service, except for the Provincial paper.

**5. Administration Expenses**

The Public Employees Benefits Agency Revolving Fund administers the Public Employees Dental Fund for a mutually agreed upon fee. The Public Employees Dental Fund pays the administration expenses to the Public Employees Benefits Agency Revolving Fund on agreed upon dates.

**6. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan, collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

## **7. Fair Value of Financial Instruments**

For the following financial instruments the fair value approximates their carrying value due to the immediate or short-term nature of these investments:

- a) due from General Revenue Fund;
- b) accounts receivable; and
- c) accounts payable.

The fund is exposed to minimal credit risk from the potential non-payment of accounts receivable as these receivables are from government agencies and were collected shortly after year-end.

The method and assumptions used to estimate the fair value of the provision for unpaid claims are described in Note 8.

## **8. Provision for Unpaid Claims**

The provision for unpaid claims includes two components:

- a) claims that have been reported but not paid by year end; and
- b) claims that have been incurred but not yet reported by year end.

Management recorded claims reported during the year but not paid at December 31, 2004 totaling \$180,128 (2003- \$448,696). The carrying value of this portion of the provision for unpaid claims approximates the fair value because of its immediate nature.

Management estimated the claims incurred but not reported at year end totaled \$1,033,515 (2003- \$644,750). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-tail claims and tend to be reasonably predictable.

The fair value of claims incurred but not reported at year end has been omitted because it is not practicable to determine fair value with sufficient reliability.

In 2004, the Fund paid \$666,959 related to claims incurred prior to December 31, 2003.

## **9. Budget**

The Public Employees Benefits Agency approves the annual budget.



